

Message Text

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ACTION EA-12

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R 280945Z JUN 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 9173
INFO SECDEF WASHDC
CINCPAC HONOLULU HI
COMUSJAPAN YOKOTA AB JA
AMEMBASSY SEOUL
AMEMBASSY MANILA
AMEMBASSY TAIPEI
USLO PEKING

S E C R E T SECTION 01 OF 02 TOKYO 11786

E.O. 11652: GDS
TAGS: MPOL, TECH, JA
SUBJECT: NEW APPROACH TO MILITARY R&D URGED

SUMMARY: MID-JUNE PRESS REPORTS QUOTED JDA SOURCES TO EFFECT SUBSTANTIAL NEW DEFENSE BUDGET RESOURCES WOULD BE ALLOCATED TO R&D IN ATTEMPT TO REACH STATE-OF-ART LEVELS IN SELECTED FIELDS. MAJOR AIM OF THIS NEW EFFORT WAS REPORTED TO BE LEVERAGE ON DATA EXCHANGE VIS-A-VIS US. AUTHORITATIVE JDA SOURCES HAVE CONFIRMED MAIN THRUST OF PRESS REPORTS, STRESSING JDA DISSATISFACTION WITH US DEFENSE-INDUSTRY PRICING POLICIES ON F-15/P-3C AND US RELUCTANCE TO RELEASE VARIOUS ADVANCED SYSTEMS FOR PRODUCTION IN JAPAN. EVEN SUBSTANTIAL INCREASES IN R&D LEVELS ARE, HOWEVER, UNLIKELY TO RESULT IN STATE-OF-ART MAJOR AIR DEFENSE OR ASW SYSTEMS WHICH COULD BE PRODUCED ECONOMICALLY IN JAPAN, AND TIES TO US WILL PROBABLY CONTINUE IN THESE FIELDS. END SUMMARY.

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1. MAJOR FEATURE ARTICLE IN JUNE 12 NIHON KEIZAI QUOTED DEFENSE AGENCY OFFICIALS TO EFFECT THAT JDA HAD DECIDED ON SIGNIFICANT NEW EFFORT IN R&D FIELD FOR JFY-79. IN ADDITION TO INCREASED BUDGET RESOURCES FOR R&D, NEW POLICY WOULD SEPARATE RESEARCH FROM DEVELOPMENT, AND FOCUS RESEARCH ON FEWER AREAS TO INVESTIGATE MORE INTENSIVELY. MAJOR STATED GOAL WAS TO RAISE JAPANESE

TECHNOLOGY TO STATE-OF-THE ART LEVELS IN SELECTED FIELDS, THUS GIVING JAPANESE BARGAINING POWER VIS-A-VIS US FOR DATA EXCHANGED IN OTHER AREAS. ARTICLE STATED THIS WAS NECESSARY AS US HAD RECENTLY SHOWN TENDENCY NOT TO RELEASE IMPORTANT EQUIPMENT ITEMS TO JAPAN. SUGGESTED AREAS FOR JAPANESE CONCENTRATION, I.E. MISSILES, TORPEDOES, ELECTRONIC WARFARE, AND LASER TECHNOLOGY WERE THOSE IN WHICH THERE WAS "NO POSSIBILITY THE US WILL RELEASE (TO JAPAN)."

2. IN FOLLOW-UP ARTICLE JUNE 13 NIHON KEIZAI QUOTED INDUSTRY CIRCLES AS APPLAUDING INCREASE IN R&D FUNDING BUT EXPRESSING CONCERN OVER SEPARATION OF RESEARCH FROM DEVELOPMENT, NOTING THAT THEIR FIRMS HAD ABSORBED MANY RESEARCH EXPENSES WHICH WOULD CORRECTLY HAVE BEEN CHARGED TO JDA BUDGET ON PREMISE THAT FOLLOW-ON PRODUCTION CONTRACTS WOULD ALLOW THEM TO RECOUP. SPECIAL CONCERN WAS NOTED IN AIRCRAFT-INDUSTRY CIRCLES, WHERE ONLY CURRENT DEVELOPMENT PROJECT IS NEXT GENERATION JET TRAINER (MTX). INDUSTRY OFFENSIVE CONTINUED WITH ANNOUNCEMENT JUNE 21 THAT KEIDANREN'S DEFENSE PRODUCTION COMMITTEE WOULD PUSH FOR FIXED FORMULA TO CALCULATE DEFENSE CONTRACT PRICING SO AS TO ASSURE SUFFICIENT PROFIT MARGINS FOR FIRMS TO SUSTAIN R&D PERSONNEL. COMMITTEE SAID THAT INCREASES IN JDA BUDGET HAD GONE DISPROPORTIONATELY TO PERSONNEL AND O&M EXPENSES, WHILE
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PROFIT RATE ON DEFENSE CONTRACTS HAD FALLEN TO 5 PERCENT.

3. EMBOFF MET JUNE 16 WITH NEWLY APPOINTED DIRECTOR OF JDA'S RESEARCH AND DEVELOPMENT DIVISION RYOZO TSUTSUI (WHO FORMERLY HEADED AIRCRAFT/MISSILE DIVISION) TO DISCUSS TRENDS IN GOJ R&D. TSUTSUI MADE FOLLOWING POINTS DURING CONVERSATION:

-- NIHON KEIZAI STORY WAS LEAK FROM TECHNICAL RESEARCH AND DEVELOPMENT INSTITUTE (TRDI); JDA INTERNAL BUREAUS HAD NOT YET FORMALLY ACCEPTED ALL OF TRDI RECOMMENDATIONS BUT DEFMIN KANEMARU WAS GENERALLY SUPPORTIVE.

-- CURRENTLY R&D REPRESENTED ONLY 1.2 PERCENT OF JDA BUDGET VERSUS 2 PERCENT DURING SAKATA ERA. GOAL WAS TO RESTORE 2 PERCENT LEVEL BUT THIS MIGHT TAKE 3-5 YEARS.

-- JAPAN, WHICH HAD RECEIVED AN "F-15 SHOCK" WHEN IT REALIZED HOW FAR BEHIND US TECHNOLOGY IT HAD FALLEN, WAS DETERMINED NOT TO BE "MERELY A SUBCONTRACTOR" IN FUTURE AEROSPACE PROJECTS. US RELUCTANCE TO RELEASE SOME F-15 AVIONICS FOR PRODUCTION HAD EFFECT OF DENYING JAPANESE

"KNOW WHY" CONCERNING DESIGN OF THESE HIGH TECHNOLOGY SYSTEMS WHILE PROVIDING "KNOW HOW" ON AIR FRAME ASSEMBLY, ETC.,

-- COOPERATIVE R&D REQUIRED THAT BOTH PARTNERS HAVE SOMETHING TO CONTRIBUTE. HAVING BEEN TURNED DOWN BY US ON SOME DATA-EXCHANGE PROPOSALS WHEN IT DID NOT HAVE ENOUGH

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TO PUT UP, JAPAN MUST NECESSARILY SEEK TO REACH STATE-OF-THE-ART LEVELS IN SOME AREAS. "WE MUST DEVELOP SOMETHING YOU WANT." ARGUMENTS STRESSING INTEROPERABILITY AND STANDARDIZATION WITH US ALLIES, HAVE BEEN THINLY VEILED EFFORTS TO PROMOTE US PRODUCTS, A ONE-WAY STREET.

-- IN ANY CASE, JAPAN WAS DISCRIMINATED AGAINST VIS-A-VIS NATO ALLIES. WHILE LATTER ARE PERMITTED ACCESS TO SECRET US TECHNOLOGY, JAPAN WAS HELD TO CONFIDENTIAL LEVEL.

-- PRICING POLICIES OF US CONTRACTORS WERE COUNTERPRODUCTIVE. R&D RECOUPMENT ON F-15 AND P-3C WAS MANY TIMES THAT FOR F-4E AND P-2J. IT WAS AS IF US INDUSTRY SENSED THIS MIGHT BE LAST BIG CHANCE TO GET JAPANESE MONEY. THESE POLICIES WOULD PROBABLY BE SELF-FULFILLING. DOMESTIC ASW AIRCRAFT (PXL) WAS NOT SIGNIFICANTLY MORE

EXPENSIVE THAN P-3C, BUT RELIABILITY OF AVIONICS/SOFTWARE
TURNED DECISION; IT MIGHT NOT IN FUTURE.

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4. COMMENT: WHILE THERE IS NO REASON FOR US TO BE CONCERNED ABOUT GOJ DECISION TO ALLOCATE GREATER RESOURCES TO MILITARY R&D, CONTEXT OF PERCEIVED ADVERSARY RELATIONSHIP IS SOMEWHAT TROUBLING. MDO AND OTHER EMBASSY OFFICERS HAVE REPEATEDLY STRESSED US DETERMINATION TO BE FORTHCOMING IN PROVIDING JAPAN ACCESS TO US MILITARY TECHNOLOGY. (IT SHOULD BE NOTED THAT JDA COMMENTS ABOUT US RELUCTANCE TO RELEASE TECHNOLOGY REFER TO RELEASE FOR PRODUCTION, NOT FOR SALE. WE HAVE MADE CLEAR TO JDA OUR WILLINGNESS TO SELL EQUIPMENT TO JAPAN ON SAME BASIS AS TO OTHER MAJOR ALLIES, BUT IT HAS CONSISTENTLY EMPHASIZED DESIRE FOR "KNOW-WHY" OVER SHORT-RUN DEFENSE CAPABILITY.) IT IS CLEAR THAT JDA HAS SUFFERED "SHOCKS" FROM EXTENT TO WHICH JAPAN HAS BEEN LEAPFROGGED BY ADVANCES IN US TECHNOLOGY. IN AIR-DEFENSE AND ASW AREAS, WHERE PERFORMANCE IS CRITICAL TO GOJ (FIGHTER AIRCRAFT, MEDIUM/HIGH ALTITUDE MISSILES, TORPEDOES, ECM, ETC.), JAPAN WILL PROBABLY CONTINUE TO RELY ON US CONNECTION WHILE HOPING TO MAKE SOME BREAKTHROUGH WHICH CAN BE TRADED OFF FOR PRODUCTION RIGHTS. IN OTHER AREAS OUTLOOK IS FOR CONTINUED UTILIZATION OF DOMESTIC PRODUCTS THAT ARE BELOW STATE-OF-THE-ART. IN VIEW OF INDUSTRY OUTCRY, IT IS UNLIKELY THAT "SEPARATION OF RESEARCH FROM DEVELOPMENT" WILL DRAMATICALLY ALTER STATUS QUO. SIMILAR JDA INITIATIVE IN 1975 ANNOUNCING COMPETITIVE BIDDING AMONG CONTRACTORS ON US MODEL WAS QUICKLY BURIED IN WAKE OF INDUSTRY OPPOSITION. MANSFIELD

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